



# **A STUDY OF EMPLOYEE PERCEPTION OF PERFORMANCE APPRAISAL IN SOFTWARE DEVELOPMENT ORGANIZATIONS**

MASTER OF BUSINESS ADMINISTRATION  
IN  
INFORMATION TECHNOLOGY

Guhanathan P  
Department of Computer Science & Engineering  
University of Moratuwa

2008

93343



## Abstract

Performance management of software professionals is very complex because they fall into the category of knowledge workers. Unlike performance appraisals of industrial workers, those of software professionals are more perceptual than factual due to the complexity of their work. The aim of this research is to examine the software professionals' perception about the performance appraisal systems used in software organizations and whether they help them to improve their work performance.

The methodology employed for this study is a quantitative approach and a cross sectional survey. The population for this study is software professionals working in software development organizations in Sri Lanka, who are estimated to be around 14,956 (ICTA 2007). Therefore, for the purpose of the study, the data were collected from 101 software professionals, which is the desired sample size (number of completed surveys), for accuracy level of 10% at the 95% confidence level. A questionnaire was used to obtain the data and it was carefully designed to measure the effectiveness of the performance appraisal.

For the analysis of the collected data through the survey, SPSS version 13.0 was used and the data analysis techniques used to prove the hypotheses were descriptive statistics, bivariate correlation coefficient (Pearson's  $r$ ), causal effect analysis using standardized regression coefficient and Baron and Kenny testing mediation with regression analysis.

The results agree with the previous research of performance appraisal. The sample of professionals used for this survey confirms that their supervisors use performance appraisal methods which contain the three elements: employee participation in the process, participatory goal setting and feedback that are collectively known as employee voice. For the employee-acceptance of the performance appraisal, she/he should perceive that the performance appraisal process is fair and unbiased. The



results also confirm that the employee-acceptance is a key predicator for employee-satisfaction of performance appraisal. This would lead to several favourable outcomes such as work performance improvement, improved productivity and high levels of motivation. Baron and Kenny testing for mediation proves that the relationship between employee voice and employee satisfaction, and work performance improvement and outcome is mediated by employee acceptance of performance appraisal.

**Keywords:** Performance appraisal, Performance management, Work performance, Knowledge works